

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Retail sales** fell 1.3% in February from the January level but were up 6.7% (8.9% if motor vehicle and parts sales are excluded) from the February 2005 level. Sales at gasoline stations fell 1.6% from the January level but were 17.7% above the year-ago level. Sales at building material and garden equipment stores led all sectors, rising 20.5% above the year-ago level.
- The **U.S. unemployment rate** fell to 4.7% in March, tying the rate in January, when the unemployment rate reached its lowest level since July 2001. Compared with one year ago, the number of unemployed persons was 605,000 lower while employment was more than 3.0 million higher.
- The **U.S. Consumer Price Index (CPI)** remained relatively flat in February, rising at an annual rate of 0.6% from January, but was still 3.6% above the year-ago level. Energy prices fell from the January level, but were still 20.1% above the February 2005 level.
- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 1.7% in the fourth quarter of 2005, compared with growth of 4.1% during the third quarter. The decline in the growth rate reflected slower growth in most sectors, particularly personal consumption expenditures (which grew at an annual rate of 0.9%, largely reflecting slower automobile sales), and government spending (which fell at an annual rate of 0.8%, reflecting slower defense spending).



- In February, Michigan's **motor vehicle production** largely reversed the compositional shift that occurred in January, with production of automobiles falling 10.5% and light truck production rising 7.5%. Compared with year-ago levels, auto production was down 7.6% and light truck production was 27.9% lower. Total vehicle production was 18.3% below the February 2005 level. February's production level was the fourth lowest since the 1998 strike. Two of the three other months exhibiting lower production occurred since July 2005.
- **Wage and salary employment** in Michigan fell by 9,000 jobs in February from the January level and was 39,000 jobs below the level in February 2005. Compared with one year ago, employment declined the most in the manufacturing and trade/transportation/utilities sectors and increased the most in the professional/business services sector. On a monthly basis, employment in most sectors remained fairly flat, with the losses concentrated in the manufacturing and government sectors. (The government sector gave back the 2,000-job increase reported in January by falling by 3,000 jobs in February.)
- Despite the lackluster performance of wage and salary employment in February, **average weekly earnings** generally posted increases, rising in all major sectors other than construction, motor vehicle parts manufacturing, and personal/laundry services. As has occurred in many recent months, the greatest growth was in the information sector where earnings were 8.7% above the year-ago level, followed by a 5.7% increase in the financial activities sector.



FEBRUARY 2006

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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

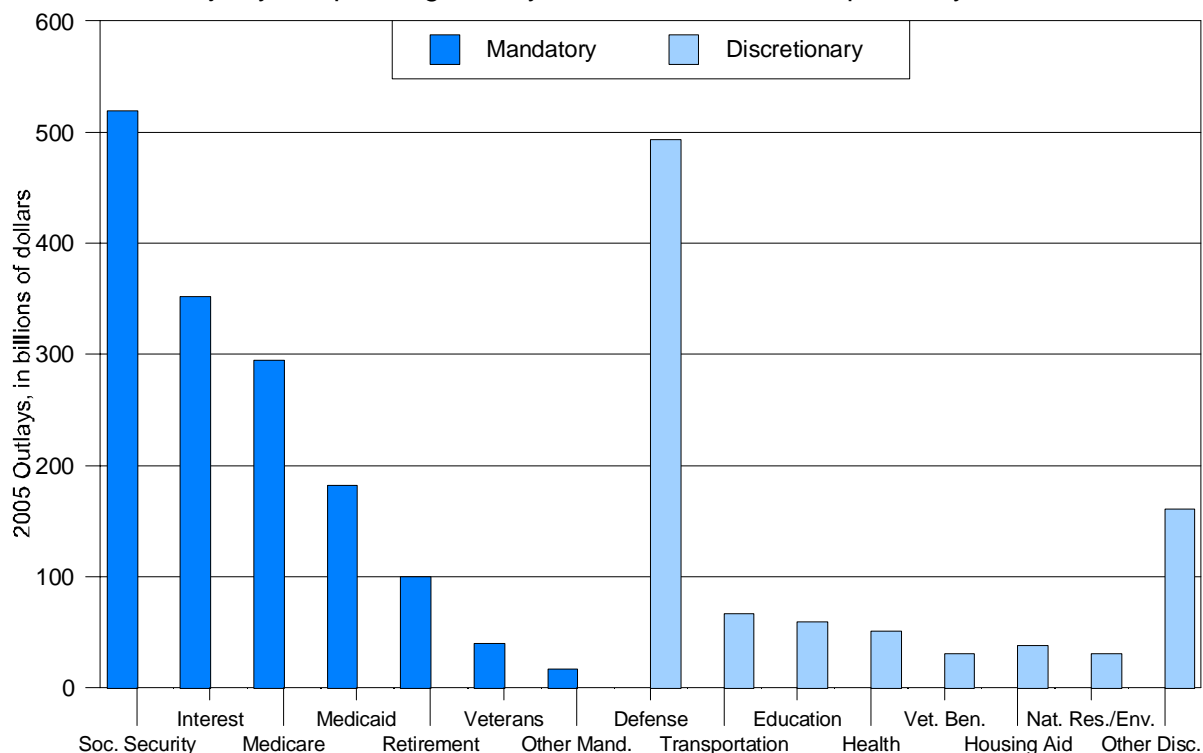
U.S.	Mar. 2006	Feb. 2006	Mar. 2005	Change from Feb.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	150,652	150,449	148,217	203	0.1%	2,435	1.6%
Employment	143,641	143,257	140,601	384	0.3	3,040	2.2
Unemployment	7,011	7,193	7,616	(182)	(2.5)	(605)	(7.9)
Unemployment Rate	4.7%	4.8%	5.1%	---	---	---	---

Michigan	Feb. 2006	Jan. 2006	Feb. 2005	Change from Jan.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,114	5,105	5,096	9	0.2%	18	0.4%
Employment	4,776	4,787	4,741	(11)	(0.2)	35	0.7
Unemployment	338	318	355	20	6.3	(17)	(4.9)
Unemployment Rate	6.6%	6.2%	7.0%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Mandatory and Discretionary Federal Spending

Majority of Spending in Very Few Areas, Most Compelled by Law



Source: Budget of the U. S. Government, Fiscal Year 2007, Office of Mgmt. & Budget, Exec. Office of the President of the United States

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Feb. 2006*	Jan. 2006	Feb. 2005	<u>Change from Jan.</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,361	4,370	4,400	(9)	(0)%	(39)	(1)%
Goods Producing Industries	856	864	890	(8)	(1)	(34)	(4)
Natural Resources & Mining	9	8	8	0	1	0	1
Construction	190	190	192	(0)	(0)	(2)	(1)
Manufacturing	658	666	690	(8)	(1)	(32)	(5)
Transportation Equipment	229	232	248	(3)	(1)	(18)	(7)
Service Producing Industries	3,505	3,506	3,510	(1)	(0)	(5)	(0)
Trade, Transportation & Utilities	795	796	807	(1)	(0)	(12)	(2)
Information	68	67	68	1	1	0	0
Financial Activities	219	218	219	1	0	0	0
Professional & Business Services	597	598	591	(1)	(0)	7	1
Education & Health Services	570	568	567	1	0	3	0
Leisure & Hospitality Services	404	403	403	2	0	1	0
Other Services	178	179	178	(0)	(0)	1	1
Government	673	677	677	(3)	(0)	(4)	(1)

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Feb. 2006	Year Ago	Percent Change	Feb. 2006	Year Ago	Percent Change
Construction	36.5	36.6	(0.3)%	\$804.83	\$818.74	(1.7)%
Manufacturing	41.3	41.3	0.0	901.58	897.04	0.5
Durable Goods	42.1	42.1	0.0	989.77	979.67	1.0
Motor Vehicle Manufacturing	43.7	43.4	0.7	1,389.22	1,333.25	4.2
Motor Vehicle Parts Manufacturing	41.1	43.8	(6.2)	1,152.44	1,212.82	(5.0)
Nondurable Goods	38.5	38.2	0.8	598.29	576.82	3.7
Wholesale Trade	38.0	36.6	3.8	713.64	706.38	1.0
Retail Trade	28.7	28.9	(0.7)	359.61	345.07	4.2
Grocery Stores	26.2	24.8	5.6	228.46	220.47	3.6
General Merchandise Stores	28.9	28.6	1.0	305.18	297.73	2.5
Information	35.8	35.9	(0.3)	676.26	622.15	8.7
Financial Activities	33.5	33.3	0.6	596.64	564.44	5.7
Prof. & Business Services	33.7	34.3	(1.7)	620.42	607.45	2.1
Health Care & Social Assistance	33.5	34.3	(2.3)	553.09	536.11	3.2
Leisure & Hospitality	22.6	22.4	0.9	185.55	180.10	3.0
Auto. Repair & Maintenance	35.3	34.4	2.6	538.68	531.48	1.4
Personal & Laundry Services	26.3	26.3	0.0	320.60	321.39	(0.2)

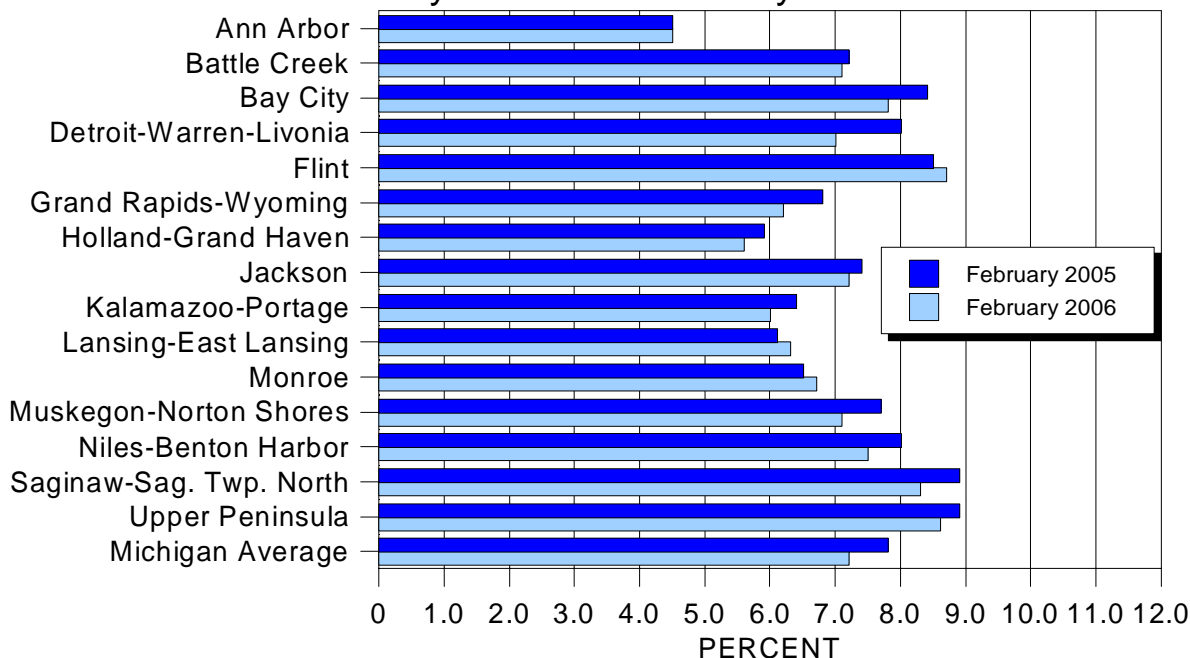
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Feb. 2006*	Jan. 2006	Dec. 2005	Feb. 2005
Metropolitan Statistical Areas				
Ann Arbor	4.5%	4.2%	3.8%	4.5%
Battle Creek	7.1	6.5	5.9	7.2
Bay City	7.8	7.1	6.3	8.4
Detroit-Warren-Livonia	7.0	7.6	6.7	8.0
Flint	8.7	7.8	6.9	8.5
Grand Rapids-Wyoming	6.2	5.6	5.3	6.8
Holland-Grand Haven	5.6	5.1	4.7	5.9
Jackson	7.2	6.6	6.1	7.4
Kalamazoo-Portage	6.0	5.5	5.2	6.4
Lansing-East Lansing	6.3	5.8	5.4	6.1
Monroe	6.7	6.5	5.2	6.5
Muskegon-Norton Shores	7.1	6.4	6.2	7.7
Niles-Benton Harbor	7.5	6.7	6.3	8.0
Saginaw-Saginaw Twp North	8.3	7.5	6.8	8.9
Multi-County Areas				
Northeast Lower Michigan	11.3	10.2	8.9	11.7
Northwest Lower Michigan	8.6	7.8	6.9	8.9
Upper Peninsula	8.6	7.7	6.9	8.9
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	7.2	7.1	6.3	7.8
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

February 2005 and February 2006

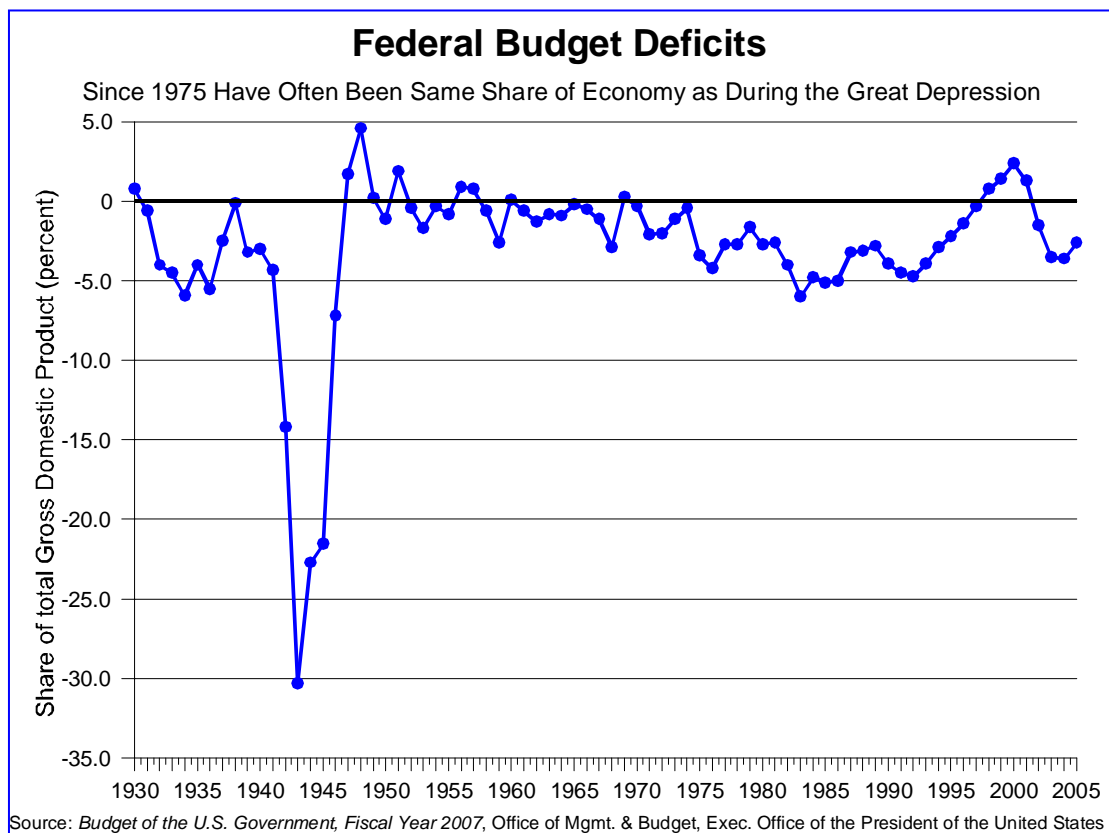


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

	Feb. 2006	Jan. 2005	Dec. 2005	Nov. 2005	Year Ago Feb.	Percent Change From:	
						Feb./Jan.	Feb. 2006/ Feb. 2005
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,410	8,560	7,664	7,572	7,414	(13.4)%	(0.1)%
Domestics	5,413	6,468	5,545	5,522	5,279	(16.3)	2.5
Imports	1,997	2,092	2,119	2,050	2,135	(4.5)	(6.5)
Import Share	27.0%	24.4%	27.6%	27.1%	28.8%	---	---
Light Trucks	9,138	9,018	9,482	8,126	8,959	1.3	2.0
Domestics	7,790	7,703	8,263	6,985	7,710	1.1	1.0
Imports	1,348	1,315	1,219	1,141	1,249	2.5	7.9
Import Share	14.8%	14.6%	12.9%	14.0%	13.9%	---	---
Light Vehicle Total	16,548	17,578	17,146	15,698	16,373	(5.9)	1.1
Heavy Trucks	538	527	534	512	486	2.1	10.7
Total	17,086	18,105	17,680	16,210	16,859	(5.6)	1.3
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,409	4,633	4,300	4,438	4,470	(4.8)	(1.4)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,190	1,329	1,124	1,238	1,287	(10.5)	(7.6)
Trucks	1,041	969	1,154	1,061	1,443	7.5	(27.9)
Total	2,231	2,298	2,278	2,300	2,731	(2.9)	(18.3)
Michigan Production as % of U.S.	19.8%	19.9%	21.2%	19.0%	22.5%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,422	1,360	1,396	1,333	1,602	4.5	(11.2)
Days Supply	57	56	58	59	77	1.8	(26.0)
Total Truck	2,281	2,247	2,209	2,294	2,387	1.5	(4.4)
Days Supply	82	97	71	96	102	(15.5)	(19.6)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Mar	136.2	136.4	134.5	(0.1)%	1.3%
Coincident Index ¹⁾ (1992=100)	Feb	149.7	149.4	145.3	0.2	3.0
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Feb	2,120	2,303	2,228	(7.9)	(4.8)
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Feb	\$326.7	\$330.9	\$306.3	(1.3)	6.7
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	Feb	110.9	110.2	107.4	0.7	3.3
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Feb	81.2	80.8	80.0	0.5	1.5
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Feb	199.1	199.0	192.1	0.6	3.6
Detroit (not seasonally adjusted)	Feb	194.8	192.4	187.8	7.7	3.7
Interest Rates						
3-month Treasury Bill ³⁾	Feb	4.41%	4.20%	2.53%	---	---
Corporate Aaa Bonds ³⁾	Feb	5.35%	5.29%	5.20%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2005 4th Qtr.	\$11,248.3	\$11,202.3	\$10,897.1	1.7	3.2
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Feb 2006	\$1,014.9	\$2,002.0	\$1,011.9	NM	0.3

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

